

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on March 23, 2001 at 8:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: Rep. Rick Dale (R)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 646, HB 644, HB 645,
3/20/2001

HEARING ON HB 646

Sponsor: REP. GEORGE GOLIE, HD 44, GREAT FALLS

Proponents: Doug Hardy, MT. Electric Cooperatives
Gary Hegreberg, MT Wood Products Association

Opponents: Debbie Smith, Natural Resources Defense Council

Opening Statement by Sponsor:

REP. GEORGE GOLIE, HD 44, GREAT FALLS, read a written testimony and handed it in **EXHIBIT**(tah66a01).

Proponents' Testimony:

Doug Hardy, MT. Electric Cooperatives, handed in his testimony **EXHIBIT**(tah66a02). He read a written testimony from Tom Huntley **EXHIBIT**(tah66a03).

Gary Hegreberg, MT. Wood Products Association, felt this bill would be a good impact for the state pertaining to assisting the economy. He explained power generating options and the effects with consumers. He believed this would prevent fires and generate electricity for the state and this bill was a good incentive to help these issues.

Opponents' Testimony:

Debbie Smith, Natural Resources Defense Council, stated tax incentives could be appropriately used for energy development. She believed this bill was too broad. She explained fossil fuel generation and the effects.

Questions from Committee Members and Responses:

REP. BUTCH WADDILL asked about the process of this bill. REP. GOLIE explained the interest in the energy contribution to the state.

REP. WADDILL asked if there were any environmental tax concerns with the bill. REP. GOLIE addressed the current statutes.

REP. KEITH BALES asked if there were concerns with wind generation and the interstate commerce rules. Debbie Smith said interstate commerce violations were on behalf of private wind developers. She was concerned of all developers and where the revenue would go.

REP. BALES asked if the CO2 problems would be addressed. **Debbie Smith** said this bill didn't address the merits or demerits in regard to the issue. She wondered about taxpayer funds.

REP. BALES believed CO2 was needed. **Debbie Smith** answered yes, CO2 was needed.

REP. JOHN ESP asked if power was sold out of state wouldn't it be deducted. **Debbie Smith** explained the benefits of the tax break. She said revenues would have to be approved for the benefit and she felt the language was vague in the bill pertaining to this.

{Tape 1; Side B}

REP. ESP asked if a tax break was given how could they direct it. **Debbie Smith** didn't think there would be any legal problems involved. She mentioned the cost base rate and the problems in the bill.

REP. ESP wondered about the 25% involved and asked for identification. **Doug Hardy** stated as the bill was worded a 100% could be clarified above surplus capacity. He explained the surplus capacity and cost base rate.

REP. ESP asked about a 20 year contract. **Doug Hardy** explained how the contract works within the bill.

REP. RON ERICKSON asked about a tax break. **Doug Hardy** explained a tax break and the years involved. He mentioned the output sold with percentages.

REP. ERICKSON wondered about language being changed within the bill. **Doug Hardy** said it would take a risk of a \$350 million plant and not have security involved. He said there would be protections to Montanans from the profit of sales.

REP. ERICKSON felt confused about cost space rate and asked what it meant if the cost went up. **Doug Hardy** said it would depend upon the cost change. He gave an example using CO2 and the generation.

REP. ERICKSON asked about the NRDC position on biomass. **Debbie Smith** explained forests and the dioxides taken in. She mentioned decomposing forests.

REP. ERICKSON asked for a response to wind generation and language regarding out of state sales. **REP. GOLIE** responded by stating the generation and participation of revenues.

REP. RON DEVLIN asked about related delivery facilities. **REP. GOLIE** explained the power plant and grid. He mentioned a pipe line and the uses.

REP. DEVLIN asked where in the bill would this be stated. **Doug Hardy** referred to line 23, page two and the specific transmission lines.

REP. DEVLIN asked about the net generating output. **Doug Hardy** said it would be excluded from the grid.

REP. EILEEN CARNEY asked what other amendment changes could be made. **Debbie Smith** mentioned page two and the language needed to be taken out. She felt the bill should be a tax reduction credit.

REP. BALES referred to page two and asked why agriculture was singled out. **REP. GOLIE** deferred to **Doug Hardy**. **Doug Hardy** said it was a copy of statute of class tax properties.

REP. ROGER SOMERVILLE asked why not eliminate lines six through nine and make it a responsible company. **REP. GOLIE** said these subscribers were to the company. He didn't think they should be excluded.

CHAIRMAN BOB STORY asked if a current company had generation, would it be able to apply to this bill as a new cost and replace the other generation marketed out of state. **Doug Hardy** believed this to be correct.

CHAIRMAN STORY asked who determines the reasonable rate of return. **Doug Hardy** felt they needed to offer an amendment of 12%.

CHAIRMAN STORY asked if this would apply to temporary generation. **Doug Hardy** said as the bill was worded, it should be able to apply.

CHAIRMAN STORY asked how the impact funds would work and what was received. **Doug Hardy** mentioned job creation and other revenue sources.

{Tape 2; Side A}

REP. SOMERVILLE asked why five was picked and wondered if it could be lowered to one. **Doug Hardy** said it dealt with the ten year tax break.

Closing by Sponsor:

REP. GEORGE GOLIE, HD 44, GREAT FALLS, addressed sections of the bill and emphasized the tax exemption. He felt this was another piece of energy legislation for the committee to review and thought the bill would be a good option for the state. He said it would provide a stable and liable policy need.

HEARING ON HB 644

Sponsor: REP. JEFF PATTISON, HD 95, GLASGOW

Proponents: Carol Lambert, W.I.F.E.
Mike Allen, Allen Oil Company
Nancy Schlepp, MT. Farm Bureau
Bob Stephens, MT. Graingrowers Association and Mt.
Farmers Union

Opponents: Barry Stang, MT. Motor Carriers Association
Tom Ebzery, MT. Contractors Association
Dave Galt, Director, Department of Transportation

Opening Statement by Sponsor:

REP. JEFF PATTISON, HD 95, GLASGOW, handed out information on how ethanol was made **EXHIBIT(tah66a04)**. He handed out information regarding distiller grains **EXHIBIT(tah66a05)** and producers and consumers of ethanol **EXHIBIT(tah66a06)**. He presented possible amendment changes to be added **EXHIBIT(tah66a07)**. He reviewed the handouts with the committee and gave a brief overview of the bill. He stated the bill would create agricultural based fuels and taxing fuels. He mentioned renewal resource and the economic plan involved.

Proponents' Testimony:

Carol Lambert, W.I.F.E., thought this legislation to be good for agricultural economic development in Montana. She stated ethanol would be efficient and was a good resource. She read background of ethanol and the reasons why it would be a good resource to the state.

Mike Allen, Allen Oil Company, supported the bill because it would be good for the state and the grain growers. He felt the tax funds involved would be used wisely. He thought there should be a way for a licensed distributor to receive their tax money back.

Nancy Schlepp, MT. Farm Bureau, said there were many benefits of ethanol. She offered the benefits and explained the use of ethanol would create an economic boost to the state. She mentioned the use of ethanol in Ringling, Montana and the incentives that would need to be placed upon use of this product.

{Tape 2; Side B}

Bob Stephens, MT. Graingrowers Association, & MT. Farmers Union, did not support the bill with the present funding. He mentioned a possible amendment to add and offer incentives. He would support the bill with the amendment added.

Opponents' Testimony:

Barry Stang, MT. Motor Carriers Association, mentioned concerns he had with the bill. He felt uneducated about the use of ethanol and need a better explanation of its use.

Tom Ebzery, MT. Contractors Association, was concerned about the funding involved with the bill. He would support the bill with the amendment after the year 2003.

Dave Galt, Director, Department of Transportation, mentioned language regarding to non-restrictive accounts. He talked about revenue sources and briefed the fiscal note.

Questions from Committee Members and Responses:

REP. KARL WAITSCHIES asked if they could add more credit to gasohol. **REP. PATTISON** said he wouldn't oppose any language added towards gasohol.

REP. ERICKSON asked about the analysis on the amendment. **Bob Turner, Bureau Chief, Department of Transportation**, explained how the amendment would effect the bill. He said there would be funds taken out. He explained sections that would not have an increase and the additions.

REP. ERICKSON asked how much ethanol would be produced within the state to offer a long range development. **Bob Turner** said he didn't have a way to decide the outcome. He offered it could be within five or a ten percent change

REP. ERICKSON asked what amount of ethanol could be produced.

REP. PATTISON mentioned an article from Minnesota. He felt it would be easy to add.

REP. ERICKSON wondered about total production of small grains in Montana. **REP. PATTISON** explained the production of ethanol.

REP. BALLYEAT was curious how this would work with the funds available. He asked if they encourage new use, would they be able to offer a tax break. **REP. PATTISON** said the intention of the bill was to offer an overall consumption for the state.

REP. JESSE LASLOVICH asked why a distributor would not be licensed. **Bob Turner** explained the funds regarding application and the process involved in receiving a license. He explained license distributors and the tax involved.

Closing by Sponsor:

REP. JEFF PATTISON, HD 95, GLASGOW, summarized the intention of the bill. He mentioned a viable source of revenue would be found to assist this development to take place. He asked the committee for a do pass on this legislation.

HEARING ON HB 645

Sponsor: **REP. JEFF MANGAN, HD 45, GREAT FALLS**

Proponents: Patrick Judge, MT. Environmental Information Center
Chase Hibbard, Governor's Advisory Committee on Energy Prices
Don Quander, Council, MT. Large Customer Group, Billings
Alec Hansen, MT. League of Cities & Towns
Russ Ritter, MT. Resources
Joe Quilicy, Representing Self
Tom Dobear, AshGrove Cement Company
Debbie Smith, Natural Resources Defense Council
Tom Ebzery, MT. Governor's Council on Energy Prices
Holly Franz, MT. Water Resources Association

Opponents: None

Informational Witnesses: John Hinz, Northwest Power Planning Council
Dave Wheelahan, MT. Electrical Cooperatives Association

Opening Statement by Sponsor:

REP. JEFF MANGAN, HD 45, GREAT FALLS, stated this bill was a concept to develop an energy pool. He said this offers authority to the Public Service Commission to implement a demand exchange program to provide financial incentives for consumers using less electricity. He explained how this would create a market solution for the economy and assist the state with development.

{Tape 3; Side A}

Proponents' Testimony:

Patrick Judge, MT. Environmental Information Center, supported the bill and felt it was good legislation.

Chase Hibbard, Governor's Advisory Committee on Energy Prices, pointed out areas with this legislation that have offered ownership. He mentioned solutions having complications and possibly a transition to the market can be made. He felt this bill was positive and would be helpful for the state.

Don Quander, Council, MT. Large Customer Group, Billings, supported this bill. He felt it was a modest proposal with generation of 40 or 50 megawatts for the pool. He said this would be a good program around the state.

Alec Hanson, League of Cities & Towns, said this would grant authority to the commission. He believed this bill would work efficiently and offer energy to consumers. He felt it would provide long term benefits.

Russ Ritter, MT. Resources, said this legislation would assist the state with another power resource. He mentioned the mine from Butte and the products purchased and the people involved with the project. He said relying on the resources for production in the state would be beneficial.

Joe Quilicy, Representing Self, thought this bill was one measure to assist the energy problems within the state. He urged the committee for a do pass recommendation.

Tom Dobear, AshGrove Cement Company, supported the bill and asked the committee to do the same.

Carey Hegreberg, MT. Wood Product Association, supported the bill and emphasized the energy conservation benefits this would influence.

Debbie Smith, Natural Resources Defense Council, felt this bill to be a good solution and would provide assistance to consumers.

Tom Ebzery, MT. Governor's Council on Energy Prices, thought this legislation was beneficial. He mentioned conservation in other states and how it would assist the state of Montana.

Holly Franz, MT. Water Resources Association, supported the power pool. She emphasized the need for this legislation and urged support.

Opponents' Testimony: None

Informational Witnesses:

John Hinz, Northwest Power Planning Council, said he would be available for questions pertaining to this bill.

Dave Wheelahan, MT. Electrical Cooperatives Association, he explained the contract rates and the effects this bill would offer.

Questions from Committee Members and Responses:

CHAIRMAN STORY asked if this would become available to the pool or if it would be in contract with another company. **John Hinz** said this issue needed to be worked on by the Public Service Commission. He said the intent was not to have conservation programs to be resold.

CHAIRMAN STORY wondered about ASARCO and when they sold their power. He asked if the contract gets sold somewhere else. **John Hinz** answered, that was correct during this type of issue. He mentioned if an agreement was offered the intent would be to not have that occur.

CHAIRMAN STORY asked about conservation efforts and resale of power. **John Hinz** said conservation would include the definition and be viewed as part of the program.

{Tape 3; Side B}

REP. BALES asked if by the contract, would there be a savings. **Dave Wheelahan** said most of the contracts go back to the federal government.

REP. BALES asked about additional resources and if they would have the same effect. **Dave Wheelahan** felt the Public Service Commission would offer jurisdiction to receive the power.

REP. DEVLIN asked if this would allow the Public Service Commission some time to adopt rules. **John Hinz** said the Public Service Commission would provide the regulatory oversight.

REP. ERICKSON wondered how this would work on a practical level. He asked for a comment on the 20 percent idea. **John Hinz** mentioned 20 percent for a large customer would have them conserving more and explained the concept and how customers qualified.

REP. ERICKSON asked if there would be a setting of percentage for an individual person to rid of transaction clause. **John Hinz** stated they need to decide at what level it would be feasible at.

REP. WAITSCHIES wondered what would be compensated from this. **John Hinz** explained the compensation and the generation produced.

REP. BALES asked how this bill would effect the grids Montana was in. **John Hinz** said the grids would not be a problem.

REP. GARY FORRESTER asked if this bill was broad enough for the Public Service Commission to be able to answer the questions raised. **Chase Hibbard** thought this would offer the authority needed.

Closing by Sponsor:

REP. JEFF MANGAN, HD 45, GREAT FALLS, summarized the bill and said it would assist Montana citizens. He felt it would be a win-win situation for the state and he asked for consideration of this legislation.

ADJOURNMENT

Adjournment: 10:47 A.M.

REP. BOB STORY, Chairman

CECILE M. TROPILA, Transcriptionist

BS/RV

EXHIBIT (tah66aad)